

### Missouri Mid-Size Business Leaders Optimistic about Sales, Profits and Hiring

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Our fall 2017 survey shows that mid-sized business owners in Missouri are highly optimistic about the prospects for their own businesses and the U.S. economy.

Manufacturing, telecommunications and healthcare technology, as well as small businesses are among the key sources of economic activity and employment in the region. The Missouri economy will continue to grow at a steady, measured pace. The region continues to see modest wage and housing growth, fueled by the economic stability led by mid-size businesses. Although some challenges remain, low living and business costs and availability of underutilized assets are important to attracting new industries and further diversifying the market's economic base.

Continued near-term economic growth, combined with further improvement in the labor market and a pickup in inflation, will support additional increases in the federal funds rate from the Federal Open Market Committee at the end of 2017 and in 2018.

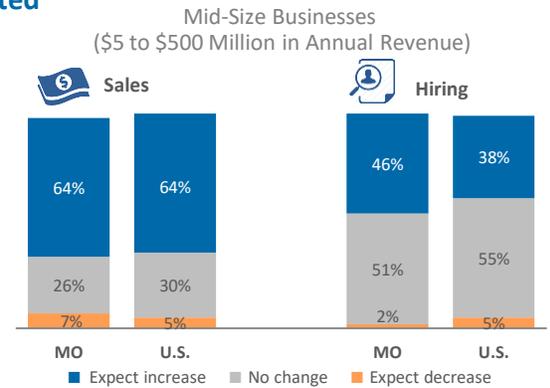
#### KEY FINDINGS: OUTLOOK FOR NEXT SIX MONTHS

#### Sales, Profit and Hiring Increases Anticipated

About six in 10 Missouri mid-sized business owners and leaders anticipate increases in sales (64%) and profits (58%) during the next six months, comparable to similar-sized business expectations nationally.

Hiring expectations are extremely positive in Missouri. Nearly half (46%) expect to increase the number of full-time employees, higher than the 38% of mid-sized businesses nationwide expecting to do so. Owners cite business growth and investment as drivers of staffing growth.

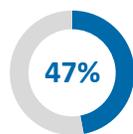
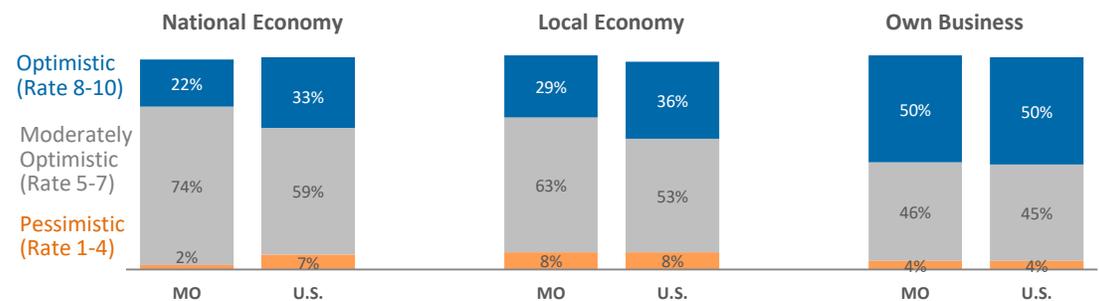
Four in 10 (42%) expect to increase prices charged to customers, higher than the 31% nationally who expect to do so. More than half (54%) expect no change compared to 62% nationally. More than one-third (37%) expect to increase capital spending in the next six months, similar to expectations nationally (36% expect increases).



#### The Power of Positive Thinking

Missouri business leaders are optimistic overall about the national and local economy, as well as their own business for the next six months. While most are at least moderately optimistic, the number highly optimistic about the national and local economy is lower vs. the total nationally. However, they are equally optimistic when it comes to their own business.

% Optimistic about the... Mid-Size Businesses (\$5 to \$500 Million in Annual Revenue)



**The Tenacity of Hope:** Accompanying these moderated expectations for the U.S. economy, almost half (47%) of Missouri respondents expressed hope about the business climate, with another 40% feeling enthusiastic, similar to results nationwide. The number feeling despair or fear is in the single digits.



**Certainly Uncertain About Policy:** One in four (27%) of those surveyed expect major policy changes from the new administration and Congress within the next six months that will affect their business, while 39% say none are expected and 34% are unsure. Three in 10 (29%) say they expect the policies of the new administration and Congress to have a positive impact on their business during the next year if they were to go into effect. One in 10 (9%) anticipate a negative impact while 55% are unsure and 8% anticipate no effect. Missouri business leaders have more uncertainty than similar-sized businesses nationally where 18% are unsure of whether they will see changes and 41% are unsure of the impact.

**Under Pressure:** One-third (35%) of survey respondents said it's harder to hire qualified employees in Missouri than it was six months to a year ago, compared to 34% of respondents responding similarly nationwide. Cited as the top challenges in hiring in Missouri were inadequate skills and experience (49%), overall lack of applicants (23%) and candidates requiring higher compensation than the business owner can afford (6%).

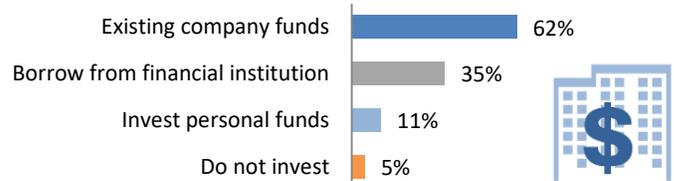
**Wage Watchers:** Nearly half (45%) of Missouri employers anticipate increasing employee compensation in the next six months, the same proportion who expect to do so nationally. Among the half (51%) of respondents who do not anticipate increasing pay, most believe the compensation they provide is sufficient – either asserting that the pay is competitive for the industry (46%), or that their current compensation level isn't affecting hiring or retention (23%).

### More Money, No Problems?

One in 10 Missouri mid-sized business owners surveyed anticipate taking out a new loan or line of credit in the next six months, compared to 24% nationally. Most say that the prospect of rising interest rates will have little impact on their decision to get a loan or line of credit. At the same time, few (10%) expect their business' need for financing to increase in the next six months.

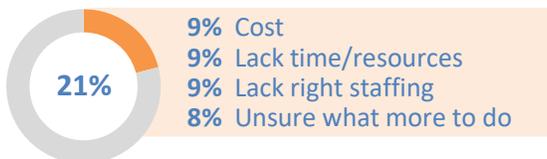
More than eight in 10 (83%) Missouri respondents report their business has taken out a loan at some point and more than one-third (36%) have done so in the last two years.

### Main Source of Funding for Capital Investments



### PNC Insight

Two in 10 business owners in Missouri face a barrier when it comes to cyber security



Fewer than one in 10 (7%) Missouri businesses reported being the victim of an information security breach, compared to 15% nationwide. More than nine in 10 (94%) take at least one security measure. Missouri business leaders report taking action in several areas:

- 88% use a firewall and encrypting information
- 88% use antivirus and antispyware
- 87% work with banks or card processors to maintain anti-fraud services
- 73% educate employees about cybersecurity and hold them accountable
- 73% protect all pages on public-facing websites, not just checkout and sign-up pages

### Waving the Red Flags

Out of 2.1 million phishing attacks in 2016, 81% were targeted at U.S. companies

Phishing attacks are just one type of cyber threat to businesses, designed to resemble legitimate email correspondence and relying on a user's inability to spot them in order to compromise computers and networks. Small and mid-size businesses have the added threat of phishing attacks designed to mimic vendors, couriers, suppliers, clients and colleagues. Employees can help to ensure that email coming from these third parties is legitimate. These seven red flags can alert users to a possible phishing attack:

- Misspellings
- Grammatical errors
- Offering fantastic prizes
- Creating a sense of urgency
- Requesting personally identifiable information (PII)
- Threatening with consequences
- Making demands



Email address spoofing also is a common tactic of phishing. For example, the user may not notice an email address has been changed from "@homelender.com" to "@home1ender.com" and may inadvertently click links and open attachments, which introduce malware.